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ABSTRACT

Guidelines for state colleges and universities who wish to use a foundation as an umbrella organization for receiving all private gifts, restricted and unrestricted, are presented. In examining the need for a foundation, attention should be directed to: establishing credibility, marshalling volunteers, providing for a mechanism for accepting life income agreements, increasing investment potential, and diminishing political influence. Guidelines for policy implementation should include the following points: coordinating appeals for funds and approaches to donors; accepting, recording, reporting, and acknowledging gifts; establishing minimum funding requirements; formulating budgets for fund raising programs; preparing fund raising literature; maintaining prospect files; recognizing donors; and involving and using volunteers. Sample fund-raising policy and guidelines and a sample case statement that describes the institution's need for private support are included. Steps in the process of incorporating the foundation are outlined, and a sample articles of incorporation and a sample set of bylaws are presented. The sample articles are for a closed foundation and the sample bylaws are for an open foundation. A provision for unlimited membership is the only major difference between the two. Information is also presented on choosing directors, finding start-up money, establishing accounts, and disbursing funds. Sample guidelines for establishing foundation funds and sample disbursement guidelines are included. The following types of accounts are described: general accounts, term accounts, endowment funds, and trust funds. (SW)

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THE FOUNDATION HANDBOOK

A Private Foundation Approach to Fund Raising at State Colleges and Universities

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By
Donald L. Lemish
East Carolina University

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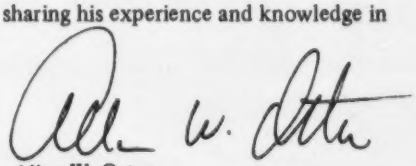
Foreword

For at least the next two decades, most state colleges and universities must come to terms with the new economic realities: inflation, rising per-student costs, and state revenues not adequate to maintain the level of program quality and program development necessary to meet the public's needs and expectations. The growing gap between state assistance and the costs of improving quality and opportunity dictates that state colleges and universities must turn increasingly to private funding. State support provides the basic necessities for a good education. Voluntary support provides the "margin of excellence."

For many institutions, private fund raising is a fairly new experience, at least on the level that circumstances now require. The mechanics of fund raising—organization, staffing, policies, and procedures—may not be fully developed, or may require refinement if they are to serve the long-term needs of the institutions. This *Handbook* should be a valuable tool in developing an effective approach to obtaining essential voluntary support.

AASCU is grateful to Donald L. Lemish for generously sharing his experience and knowledge in foundation fund raising.



Allan W. Ostar
President
American Association of
State Colleges and Universities

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Introduction

It should be understood that the information presented in this booklet is based on the premise that a "foundation" will be used as the umbrella organization for receiving all private gifts, restricted and unrestricted, for the benefit of the public college or university. It also is written with the understanding that most of the readers will be representatives of institutions who are members of or have an association with the American Association of State Colleges and Universities. The information presented is based on the author's experiences at three universities: one with an already established private foundation, one that attempted to form such a foundation, and one that changed a small existing foundation to an "umbrella" foundation for receiving gifts for any and all purposes related to the advancement of the institution.

Why a Foundation?

Is a foundation needed? Numerous reasons can be given to justify the effort involved in establishing a foundation for the fund-raising purposes of a state college or university. Any discussion of the need for a foundation should definitely consider the following: establish credibility, marshal volunteers, provide a mechanism for accepting life income agreements, increase investment potential, and diminish political influence.

Establish Credibility: In terms of enhancing the overall climate for fund raising, a basic justification is that of credibility. Credibility addresses two questions connected with private giving. First, can donors trust that their gifts will be used in both their best interests and those of the institution? Second, will the institutional beneficiaries respect the wishes of the donors and not divert gifts from designated purposes to other uses? Documented experiences lend legitimacy to both questions: in some states gift funds have ended up under the control of the state government, and in some instances institution officials did not permit gift dollars to be used for the designated purposes.

A foundation with a board of directors representing private gift donors serves as the guarantee that funds will be used only for the purposes for which they were given. This board is not answerable to state government agencies, and its sole charge is to act in the donor's behalf for the benefit of the institution.

Not all gifts to foundations need be restricted in their use. With a single foundation as recipient, depository, and investor of all gift dollars, it is still possible to allow independent groups, such as the alumni association, to have control over expenditures of "their" unrestricted gifts. This will be explained further in the section on guidelines for establishing restricted foundation accounts.

Above all else, the foundation should function to encourage rather than discourage private gifts. All donors should be allowed to support programs they want to support rather than be confined to a narrow view of unrestricted gifts, to be spent at the discretion of the foundation board and institutional president.

Marshal Volunteers: One of the most important purposes of a foundation is to provide a formal mechanism for identifying and utilizing important volunteers. By its very nature as an organized structure, the foundation defines roles for the volunteers, involving them in the fund-raising process of asking for and administering gifts.

Allow Life Income Agreements: A third important reason for starting a private foundation is as a mechanism for accepting life income agreements. Many states have laws that prohibit any unit or agency of the state from incurring debt. In such states, a private foundation provides the only mechanism for accepting life income agreements, which provide major endowment potential to the institution. Life income agreements are gifts in which the donor retains a life interest, usually in a manner so that the charity is required to make some type of payment to the donor or accept responsibility for debts on property in which a donor retains a life interest. Such gifts include charitable remainder trusts, charitable unitrusts, charitable annuity trusts, gift annuities, deferred gift annuities, pooled income funds, and real property in which the donor holds a life interest. Although this booklet will not explain life income agreements in detail, it is important to emphasize that because these types of gifts offer a major source of potential income, a mechanism should be created to accept and administer them.

Increase Investment Potential: Being able to accept life income agreements leads to a fourth important consideration in establishing a foundation—the need for pooled assets. Without a foundation, multiple units or divisions receiving gifts can lose money by not having assets large enough to take best advantage of high-yield investments. With all restricted and unrestricted gift dollars pooled, the potential for high-yield investments is greatly increased and a smaller percentage of gift dollars is kept in an operating account. In addition, a committee of directors determines investment policy and thus removes the institution and its chief officers from the investment responsibilities related to private gift dollars.

Diminish Political Influence: Some state governments have policies that require any budgeted institutional line items to be reduced by the amount of any private gift support designated for the same purpose. This stifles the motivation to seek private gifts and eliminates the institution's chances of achieving the "margin of excellence" made possible by private dollars. A private foundation governed by a majority of directors not employed by the institution is protection against any such offset move. Similiarly, a state government cannot take control of monies given to a private foundation and the monies cannot revert to the state general fund.

1

Develop Guidelines

Before establishing a foundation for fund-raising purposes, it is advisable to establish institutional "Policy and Guidelines" covering solicitation of private support. The policy should be drafted by the chief advancement officer and, following approval of the president, should be adopted or approved by the board of trustees.

The policy should identify clearly the chief advancement or development officer as responsible for coordinating all fund raising.

The guidelines for policy implementation should include the following points:

1. Coordinating appeals for funds and approaches to donors;
2. Accepting, recording, reporting, and acknowledging gifts;
3. Establishing minimum funding requirements;
4. Formulating budgets for fund raising programs;
5. Preparing fund-raising literature;
6. Maintaining prospect files;
7. Recognizing donors;
8. Involving and using volunteers.

The sample "Policy and Guidelines" statement that follows could be adapted by most state institutions.

Sample Fund-Raising Policy and Guidelines

Policy Rationale

In the broadest sense, the purposes of the Office of Development are (1) to create a awareness within the private sector of the financial needs of the State University which are not met by state or federal support and (2) to implement a plan by which these financial needs can be met through private gift support. To fulfill these purposes, it shall be the responsibility of the Office of Development to institute an organized program for obtaining gift support for alumni, friends, faculty and staff, corporations, organizations, and private foundations on both an annual and capital basis. In keeping with this policy, the Board of Trustees has set forth the following policy statement and guidelines:

> Solicitation of gifts made by anyone for the benefit of the State University, or any agency thereof, shall require the prior approval of the chancellor through the vice chancellor for institutional advancement.

Guidelines for Policy Implementation

To maximize the effectiveness and efficiency of the services provided by the Office of Development, the guidelines that govern fund raising for the benefit of the State University and all its functional units are defined as follows:

1. *Coordination of Appeals for Funds and Approaches to Donors*

It shall be the responsibility of the Office of Development, in consultation with the vice chancellor for institutional advancement, to serve as the coordinating agency for all types of fund-raising programs and for all solicitation of funds from private individuals, foundations, businesses, corporations, and organizations in order to avoid an excessive number of solicitations in the name of the State University. Any written request to undertake a fund-raising program or to solicit contributions from individuals, private foundations, businesses, corporations, and organizations should be reviewed first through regular channels by the appropriate department head and dean. Any request involving the planning, construction, or expansion of a building, to be funded by private sector gifts, shall be submitted to the appropriate dean and vice chancellor, then to both the vice chancellor for institutional advancement and the vice chancellor for business affairs.

Programs to be coordinated through the Office of Development include

A. Plans to raise funds from alumni on an annual basis, similar to, or as a part of, an alumni fund solicitation;

B. Establish an "associates," "friends," or "membership" program designated to solicit financial support;

C. Special fund-raising efforts appealing to various State University constituencies regarding scholarships, memorial funds, fellowships, aid programs, professorships, endowed chairs, etc.;

D. Plans to raise private funds for the construction, expansion, or renovation of a State University building, regardless of other sources of funding, following all appropriate vice chancellors' approvals:

E. Requests to private sources for the funding of new or existing academic programs;

F. All other programs to raise funds in the private sector.

2. *Acceptance, Recording, and Acknowledging of Gifts*

It shall be the responsibility of the Gifts Records Office (within the Office of Development) to officially record and acknowledge receipt of all gifts to the State University or any agency thereof, including cash, pledges, securities, trusts, insurance policies, real estate, and other gifts-in-kind.

Therefore, all gifts and donations should be processed through the Gifts Records Office before being deposited in any university account or outside organization account. A complete and accurate record of every donor to the State University shall be maintained by the Gifts Records Office and shall be kept strictly confidential. Donor anonymity will be protected whenever desired by the donor.

Major gifts shall be acknowledged by the chancellor, as informed by the Office of Development, and by others who deem it appropriate.

All gifts-in-kind and restricted gifts to the State University for its benefit shall be reviewed by the Office of Development in conjunction with the unit designated to receive the gift, as well as the University Counsel, as follows:

A. Gifts-in-Kind. Gifts-in-kind (art objects, equipment, securities, real estate, etc.) should be reviewed with special care to ensure that acceptance will not involve financial commitments in excess of budgeted items or other obligations disproportionate to the usefulness of the gift. Consideration should be given to the cost of maintenance, cataloging, delivery, insurance, display, and any space requirements for exhibition or storage.

When gifts-in-kind are given to the State University with the intent of the donor to receive a tax reduction, it shall be the responsibility of the donor, not the State University, to obtain an appraisal of the gift for tax purposes. The State University shall not become involved in the appraisal process. Direct involvement of the University in securing appraisals could result in the appraisal's accuracy and objectivity being challenged by the Internal Revenue Service.

It is in the donor's best interest that the University neither provide directly nor be responsible for securing the services of appraisers in connection with gifts to the University.

A report of all prospective gifts-in-kind should be submitted to the Office of Development. Subsequently, all gifts-in-kind to the University will be inventoried by the State University and will become the property of the institution or foundation.

B. Restricted Gifts. Acceptance of a gift imposes a legal obligation to comply with the terms established by the donor. Therefore, it is necessary that the nature and extent of this obligation be clearly understood. For this reason, the terms of each restricted gift will be reviewed with the utmost care to ensure that they do not hamper the usefulness and desirability of the gift to the State University. If a gift is deemed unacceptable because of the restrictions the donor has placed on its use, the donor will be counseled to remove or modify the restrictions. Gifts will be refused or returned when the purpose (1) is inappropriate or not conducive to the best interest of the State University, (2) is clearly a commercial endeavor, or (3) would obligate the State University to undertake responsibilities, financial or otherwise, which it may not be capable of meeting for the period required by the terms of the gift.

3. *Minimum Funding Requirements*

The Office of Development shall maintain up-to-date information as prescribed by the Board of Trustees pertaining to fund-raising matters, including the percentage of amount of gifts expected or required to name buildings, endow professorships, endow chairs, establish named scholarship funds, etc.

4. *Budget Formulation for Fund-Raising*

The formulation of budgets for private fund-raising projects is the consultative responsibility of the Development Office and vice chancellor for institutional advancement.

5. *Preparation of Fund-Raising Literature*

Any literature, including brochures, booklets, and letters, used to attract private funds to the State University shall be coordinated through the Office of Development so that the most accurate information appropriate to a particular fund-raising effort is reflected. Accordingly, the Office of

Development will be responsible for establishing and maintaining a master calendar that incorporates the schedule of all fund-raising mailings and solicitations.

6. *Report of Private Philanthropy*

It shall be the responsibility of the Office of Development in conjunction with the vice chancellor for institutional advancement to compile official records on all private gifts.

7. *Maintenance of Prospect Files*

It shall be the responsibility of the Office of Development to establish and maintain prospect and resource files for the purpose of providing timely and relevant information about prospective individual donors, private foundations, and corporations.

8. *Involvement of Volunteers in Fund-Raising Efforts*

Whenever volunteers are to be involved in fund-raising efforts, it shall be the responsibility of the Office of Development to assist in the selection and recruitment of the volunteers and to provide them with the training and information required in order for them to be effective in soliciting funds.

9. *Identification and Coordination of Appeals to Corporations and Foundations*

It shall be the responsibility of the Office of Development to coordinate the cultivation and solicitation of corporations and private foundations. This coordination will ensure avoiding an inappropriate number of solicitations to any single source of private corporate or foundation funds. In the case of contract proposals to corporations, the Office of Development should be notified by the appropriate State University unit in advance so that the corporation's contracted involvement will be reflected in the Office of Development's prospect files.

10. *Public Statements Regarding Gifts to the State University*

It shall be the responsibility of the News Bureau of the State University, in coordination with the Office of Development and the vice chancellor for institutional advancement, to initiate the preparation of all public statements concerning gifts to the institution or any units thereof. Coordination also should include the unit designated in a restricted gift.

2

State Your Case

Many state institutions have embarked on fund-raising programs in recent years but have failed to explain adequately why private gift dollars are needed, perhaps because many of those who work for institutions believe these needs are obvious. However, if an institution cannot properly frame and express its unique needs for private support, it cannot expect to receive such support. Many constituents believe that public institutions are state "supported." The difference between state "support" and state "assistance" should be communicated clearly in a written institutional case statement before any attempt is made to raise private gifts. The case statement should describe the institution's need for private support and suggest to the donor what he or she should give to the institution. It should encourage both unrestricted and restricted giving.

The following is a sample case statement.

Sample Case Statement

Why State University Needs Private Support

Today being good is not enough. Our mission is to achieve the highest level of excellence, which can be realized only through private support.

Private support is the vital ingredient that provides the necessary flexibility so important in building a sound educational program. Much of the most up-to-date teaching and research equipment, many of the educational innovations, the research achievements, scholarships, and the cultural activities of the State University are made possible through such support.

The state has entrusted the State University with the needs of its citizens in education, health care, and research. Such endeavors require substantial support. Despite continuing funding needs, the State University has met the challenge and established a reputation for excellence.

Prominence is hard won and continued growth depends on enhancement of our achievements.

The State University is a source of educated people and new ideas—both essential to a sound economy and a free society. By supporting the State University through private gifts, donors are making an investment that will be repaid handsomely in the ever-increasing quality of State University students, faculty, staff, and alumni.

What Is The Annual Fund?

The Annual Fund is the opportunity for a yearly investment in the future of the State University and the people it serves. It is a pooling of resources from alumni and other friends that enables the University to expand offerings and to enrich its many worthwhile programs.

Through Annual Fund gifts and pledges, those concerned with the welfare of the State University can help guarantee the State University's margin of excellence. The Annual Fund includes all alumni gifts and non-alumni gifts to the State University Foundation that are unrestricted or designated for various departments or programs at the State University.

The Fund's Uses

Tax deductible gifts to the State University and the State University Foundation can be unrestricted in nature or designated for specific areas. Those given for a certain activity or program will be used according to the donor's wishes.

Gifts designated as unrestricted can be used for any of the State University's programs. These funds will be allocated on a university-wide basis where the need is greatest.

Both types of gifts will help build a better State University to serve more people. Contributions may be made as gifts of cash or securities, gifts in trust with reservation of income to donors, or a transfer of property (such as real estate). Gifts are tax deductible as provided by law.

The Fund's worth exceeds the monetary value of items bought. The real worth of the Annual Fund is the visibility and acknowledgment of need it represents.

The Annual Fund . . .

- Provides scholarships and loans for students,
- Increases the number of distinguished faculty through endowed chairs and distinguished professorships,
- Builds special facilities,
- Provides special academic opportunities for students,
- Broadens educational opportunities for minorities,
- Enhances the academic quality of students,
- Provides emergency loans to needy students,
- Expands collections and library holdings, and
- Preserves the cultural and historical background of the University.

3

Incorporate

Most discussions of foundations and tax policy related to higher education focus around Section 501(c)(3) of the Internal Revenue Code. Section 501, enacted in 1917, singles out certain organizations for special tax treatment. Section 501(a) exempts from federal income tax those organizations described in Section 501(c)(3), which includes "Corporations, and any community chest, fund or foundation, organized and operated exclusively for religious, charitable, scientific, . . . literary or educational purposes . . . no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Other sections of the Internal Revenue Code elevate the importance of Section 501(c)(3): they "provide that such organizations are eligible to receive gifts and bequests that are deductible in computing the income, gift, and estate tax liabilities of the donors" (Persons et al. 1977, p. 1901).

The first step in forming a private foundation is to identify persons who can serve as incorporating directors and to employ an attorney to draft a charter to be filed with the Secretary of State. After a corporate charter is obtained, the next step is to file IRS Form 1023 to apply for a 501 (c)(3) tax exempt status.

The corporate charter should state the purposes of the corporation (foundation), list the composition of membership and board of directors, and fix the corporate year. The charter should be broad in nature, providing for bylaws that set forth the number of members, directors, officers, meetings, etc.

A private foundation can be either an "open" or a "closed" corporation. "Open" means that the charter provides for the election of members, whereas a "closed" foundation is one that has no members and whose affairs are handled by an elected board of directors which perpetuates itself.

After a charter has been filed for incorporation, it will be necessary to begin organizing the foundation into a workable body. Consideration should be given to proper balance between "outside" and "inside" directors. To minimize any legal considerations that the foundation is a part of the state, it would be wise to have a majority of outside directors. Outside directors are individuals who are not in the employ of the state or institution. Inside directors are those directly related to the institution because of employment, trustee membership, etc.

The initial board of directors should draft the bylaws of the corporation as one of its first official acts. The bylaws should include all specifics about membership, terms, officers, number of meetings, committees, and election procedures.

It is advisable to set terms for directors that provide a balance from year-to-year and avoid having to replace or re-elect all directors in the same year. Most foundations seem to function best with a body of directors whose number is a multiple of three who are elected to staggered three-year terms.

Following this narrative are a sample Articles of Incorporation and a sample set of Bylaws. It should be noted that the sample Articles are for a "closed" foundation and the sample Bylaws are for an "open" foundation. A provision for unlimited membership is the only major difference between the two.

Sample Articles of Incorporation

STATE OF)
COUNTY)

The undersigned, desiring to form a non-profit corporation under the (state) Non-Profit Corporation Act, with all of the powers of a corporation organized under said act and under the constitution and laws of (state), file these Articles of Incorporation and certify as follows:

ARTICLE I. – NAME

The name of the corporation shall be the State University Foundation (hereinafter called the "corporation").

ARTICLE II. – DURATION

The period of duration of the corporation shall be perpetual.

ARTICLE III. – PURPOSES

The corporation is organized exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provisions of any future United States Internal Revenue law). The corporation shall operate exclusively for the benefit of the State University in (city), a division of the Board of Trustees of the State University, a public corporation, or any organization that may be established to succeed the Board of Trustees of the State University in the operation of any of the facilities of the State University in (city).

ARTICLE IV. – POWERS

Without limiting the general powers granted to the corporation by (state) law, the corporation shall have the following specific powers:

(a) To promote and carry on scientific and medical research and allied supportive activities;

(b) To aid in the fulfillment of the research, teaching, and service functions of the State University;

(c) To make grants and loans of any corporate property for the purposes of furthering the scientific, charitable, or educational purposes of the corporation;

(d) To solicit, accept, administer, and disburse gifts, grants, and bequests of property of every kind or to hold said property in trust in such manner as the corporation deems appropriate for the furthering of the purposes of the corporation;

(e) To provide or assist in providing facilities for scientific research by which discoveries, inventions, and publications for the advancement of man and his environment may be developed and to determine the public use of such discoveries, inventions, and publications.

(f) To make applications for and obtain patents, patent rights, and copyrights for any inventions or publications and to hold and license patents and copyrights, provided, however, that all income from such patents or copyrights shall be devoted to the scientific, charitable, and educational purposes of the corporation and none of such income shall accrue to any officer, director, or employee of the corporation except for remuneration for services or except as an inventor or author of a project.

(g) To receive grants from government or other sources and to disburse such grants for the support of scientific, educational, and medical research;

(h) To make distribution to the State University or any organization organized to support the State University that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or any corresponding provision of any future United States Internal Revenue law).

ARTICLE V. – USE OF EARNINGS AND LOBBYING ACTIVITIES

No part of the net earnings of the corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Revenue law) or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue law).

ARTICLE VI. – MEMBERS

The corporation shall have no members. (If these Articles were for an "open" corporation, the wording of this provision might be similar to the following: "all persons making gifts to the corporation shall be members of the corporation during the calendar year that such gifts are made.")

ARTICLE VII. – BOARD OF DIRECTORS

The affairs of the corporation shall be managed by the Board of Directors. The initial Board of Directors shall serve until the first meeting of the Board of Directors at which time bylaws of the corporation shall be adopted. Successor directors shall be elected by a majority vote of a quorum of the Board. The number, terms, and manner of election of the successor directors shall be as provided in the bylaws of the corporation subject to these Articles of Incorporation.

ARTICLE VIII. – INITIAL BOARD OF DIRECTORS

The initial Board of Directors of the corporation shall consist of:

John S. Smith	City, State
William R. Jones	City, State
Thomas B. Brown	City, State

ARTICLE IX. – DISSOLUTION

In the event of the dissolution of the corporation, the Board of Directors shall cause the assets of the corporation to be distributed as follows:

(a) All liabilities of the corporation shall be paid or adequate provision shall be made for payment;

(b) Assets held by the corporation upon a condition which occurs by reason of the dissolution shall be returned or conveyed in accordance with such requirements; and

(c) All of the remaining assets of the corporation shall be conveyed to the Board of Trustees of the State University or its successor, if said corporation or its successor shall qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue law). If said corporation or its successor shall not so qualify, the remaining assets shall be conveyed to some other organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes that are qualified as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue law).

ARTICLE X. – REGISTERED AGENT

The principal and initial registered office of the corporation shall be at Room 000, Building, State University, Street, City, State, and Zip Code. The initial registered agent of the corporation shall be Thomas B. Brown.

ARTICLE XI. – INCORPORATIONS

The names and addresses of the incorporators of the corporation are:

John S. Smith	City, State
William R. Jones	City, State
Thomas B. Brown	City, State

IN WITNESS WHEREOF, the undersigned incorporators have executed these Articles of Incorporation this _____ day of _____, (year).

_____
John S. Smith

_____
William R. Jones

_____
Thomas B. Brown

STATE OF)
COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that John S. Smith, William R. Jones, and Thomas B. Brown, whose names are signed to the foregoing Articles of Incorporation, and who were made known to me, acknowledged before me on this day that, being informed of the contents of said Articles of Incorporation, they executed the same voluntarily on the day the same bears date.

_____
Notary Public

Sample Bylaws

PREAMBLE The State University Foundation, Inc., is the main fund-raising organization of State University for the receipt and management of all private gifts.

ARTICLE I. – OFFICE

The principal office of the State University Foundation, shall be located in City, County, State.

ARTICLE II. – SEAL

The seal of the Foundation shall be a circle with the words "State University Foundation, Inc."

ARTICLE III. – GENERAL ORGANIZATION

There shall be no limit to the individuals who may be members of the State University Foundation, Inc. The Corporation is to have the following classes of members: (1) Ex officio members, (2) Members from the University Board of Trustees, (3) Public members.

Public members shall be elected by the members from nominations submitted by the Executive Committee. Nominations may also be made by the membership at the annual meeting. Members shall be elected for a three-year term and may succeed themselves. Members of the Foundation shall meet once a year after January 1 but prior to February 28 for purpose of electing Directors and to transact other business that may properly come before the members of the Corporation. Directors shall be elected by the members from nominations submitted to the members by the Board of Directors. The said nominations made by the Board will be selected from recommendations made to the Board by the Executive Committee. Additional nominations may be made by the members at the annual meeting prior to the election. The secretary shall mail written notice of these meetings to the directors and membership at least ten (10) days prior to said meeting.

ARTICLE IV. – BOARD OF DIRECTORS

Section 1. General Power. The entire management of the Foundation and its property is vested in its Board.

The Board of Directors of said Foundation shall have full power, except as prohibited by the terms of any instrument of gift, devise, bequest, or other transfer, at its sole discretion, to change the form of any investment and for that or other purposes of the Corporation to dispose of any securities or other property held by said Corporation.

Section 2. Number. The Board of Directors of the Corporation shall consist of twenty-four (24) individuals who may be but are not required to be members of the Foundation.

Section 3. Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business. However, less than a majority of the members of the Board may adjourn a meeting from time to time after determination of an alternate date for a meeting of the Board and notification to the directors.

Section 4. Ex Officio Directors. There shall be six (6) Ex Officio Directors. The following persons shall be members of the Board during their respective terms of office and shall serve ex officio with full voting rights: (1) Chancellor of the State University, (2) Vice Chancellor for Business Affairs, (3) Chairman of the Board of Trustees of the State University, (4) Vice Chancellor for Institutional Advancement, (5) Director of Development, and (6) President of the Alumni Association.

Section 5. Public Directors. There shall be eighteen (18) Public Directors. Members of the Board that are not "Ex Officio" Directors shall be known as "Public" Directors. These directors shall be elected as provided by the provisions in Article III above. The Public Directors shall be elected for terms of office as follows: six directors shall be elected for an initial term of one year, six directors for an initial terms of two years, and six directors for an initial term of three years.

Thereafter, all Public Directors shall be elected for a term of three (3) years upon the expiration of the previous term or until there successors have been elected and qualified. A director shall be able to succeed himself.

Section 6. Regular Meetings. Regular meetings of the Board shall be held semi-annually unless other times shall be fixed by resolution of the Board. One of these regular meetings shall be held in conjunction with the annual meeting of the Corporation at the beginning of the year (see Article III as to notice required).

Section 7. Special Meetings. Special meetings of the directors may be called by the Chairman of the Board upon forty-eight (48) hours notice. Special meetings may also be called at any time by petition of a majority of the directors.

Section 8. Manner of Acting. The act of a majority of the Board present at a meeting at which quorum is present shall be an act of the Board unless a greater number is required by these Bylaws or by law.

Section 9. Vacancies. Any vacancy occurring among the Public Directors or any directorship to be filled by reason of an increase in the number of directors may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum of the Board. A Public Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

The continuation of a vacancy in an ex officio position or a public position shall not be deemed to be a default in the terms of the Articles of Incorporation or in the terms of these Bylaws and the Board shall have full authority to continue to operate.

Section 10. Informal Action. Any action required by law to be taken at a meeting of the Board, or any action that may be taken at a meeting of the Board, or of any committee of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors or committee members entitled to vote on the subject thereof. Such consent shall have the same force and effect as a unanimous vote of the Board and shall be recorded with the minutes of the Foundation.

Section 11. Removal of Directors. Any Public Director may be removed from the Board for any cause whatsoever by a vote of two-thirds of the full Board.

ARTICLE V. – OFFICERS

Section 1. Officers. The officers of the Foundation shall be a Chairman of the Board, a President, a Vice-President, a Secretary, and a Treasurer.

Section 2. The Chairman of the Board. The Chairman of the Board shall be the Chancellor of the State University. He shall preside at all meetings. He shall serve as long as he is Chancellor.

Section 3. The President. The President of the Foundation shall be elected by the Board of Directors at an annual meeting. He shall serve as the official Foundation representative at all Foundation and University fund-raising activities. The term of office of the President shall be one year. He shall serve as National Fund Chairman during his term of office and will be an ex officio member of all committees.

Section 4. The Vice-President. The Vice-President shall be elected by the Board of Directors to serve a one-year term. He shall serve in the absence of the President.

Section 5. The Secretary. The Vice Chancellor for Institutional Advancement of the State University shall serve as Secretary of the Foundation. The Secretary shall keep the records of the Corporation and books of account. He shall have the custody of the seal of the Corporation. He shall issue, sign, and seal together with the President, all instruments of writing affecting the Corporation, and the Secretary shall, in addition, perform all the other duties usually pertaining to this office.

Section 6. The Treasurer. The Vice Chancellor for Business Affairs of the State University shall serve as Treasurer of the Foundation. The Treasurer shall have the custody of all the moneys and securities of the Corporation. He shall keep regular books. All money of the Corporation shall be deposited in such depositories as shall be selected by the directors. Checks may be signed by anyone authorized to do so by the Board.

Section 7. Vacancies. A vacancy in any elected office may be filled by a majority vote of a quorum of the Board for the unexpired term of the predecessor in office.

Section 8. Delegation of Duties. The Board for any reason may delegate the powers or duties of any officer to any other officer or director.

Section 9. Removal. Any officer elected or appointed by the Board may be removed by the Board for any reason whenever in the Board's judgment the best interests of the Foundation would be served thereby. Such removal shall be without prejudice to any contract rights of the officer removed.

ARTICLE VI. – COMMITTEES

Section 1. Executive Committee. The Executive Committee shall be the administrative body of the Foundation. The Board of Directors shall elect annually an Executive Committee to be com-

posed of four Public Directors. The Chairman of the Board and the President of the Foundation shall serve as ex officio members of the Executive Committee with full voting rights.

The function of the Executive Committee shall be to perform any routine administrative duties by express authority of the Board of Directors or subject to ratification of the Board at its next meeting, or any other matter as may be prescribed by the Board.

Section 2. Administrative Committees. The Chairman of the Board and the President of the Foundation shall appoint the following Administrative Committees and their respective chairmen. The membership of these committees is limited to individuals who are members of the Board of Directors: (1) Special Projects Committee, (2) Budget Committee, (3) Investment Committee, (4) Gift Acceptance Committee, and (5) Restricted Fund Policy Committee.

Other Administrative Committees not having and exercising the authority of the Board in the management of the Foundation may be designated from time to time by the Board of Directors. The committees should be appointed on an annual basis. The duties and functions of such committees shall be determined by delegation of authority from the Board.

Section 3. Active Fund-Raising Committees. Active Fund-Raising Committees shall be chaired by a member of the Board and shall include a development officer and non-board member who shall be a member of the Foundation. Persons-at-large who are not members of the Foundation or Board of Directors may serve as members of active Fund-Raising Committees.

The Chairman of the Board, the President of the Foundation, and the Secretary shall appoint these committees and their chairmen: (1) Major Donor Committee, (2) Deferred Gifts Committee, (3) Annual Fund Committee, and (4) Corporate Giving Committee.

Other active fund-raising committees may be designated from time to time by the Board of Directors.

Section 4. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided for original appointments.

Section 5. Quorum. Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 6. Rules. Each committee may adopt rules for its own management not inconsistent with these Bylaws or with the rules adopted by the Board.

ARTICLE VII. – FINANCES

Section 1. Use of Income. All gifts to the Foundation or other income not otherwise designated by the donor shall go into the general fund of the Foundation and shall be used exclusively for the use and benefit of the State University in accordance with the general purposes of the Foundation. The Foundation may receive, manage, invest, and disburse conditional gifts only if such gifts are for the exclusive use and benefit of the State University.

The phrase "exclusive use and benefit of the State University" shall include gifts for the benefit of any separate or independent organization which is supportive of or affiliated with the State University or its programs and functions, provided that such organization is (a) organized exclusively for charitable, scientific, or educational purposes and for the exclusive use and benefit of the State University and (b) qualified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue law). The Board may from time to time provide precedures for the establishment of special or designated funds to be administered by the Board under the conditions of their creation in accordance with the Articles of Incorporation.

Section 2. Contributions and Disbursements. All contributions received by the Foundation shall be deposited by the Treasurer in a special account or accounts in such banks, trust companies, or other depositories as the Board may select. All disbursements shall be made under a proper authority of the Board. All contributions to and disbursements from the Foundation shall be recorded by the Treasurer and such records shall be subject to examination at any reasonable time, upon request, by any director.

Section 3. Budget. A statement of proposed operating income and expenditures for the following year shall be prepared by the Secretary and submitted to the Board annually. When approved by the Board, such budget shall be the only authorization for expenditures for operating expenses of the Foundation subject to subsequent changes made by the Board and the provisions of Section 4 below.

Section 4. Administration of the Budget. The Treasurer is authorized to make commitments for budgeted operating expenses. Checks or vouchers in payment of approved expenditures shall be signed by the Treasurer.

Section 5. Checks, Drafts, Etc. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Foundation shall be signed by such officer or officers or agent or agents of the Foundation and in such manner as shall from time to time be provided by resolution of the Board. In the absence of such provision by the Board such instrument shall be signed by the Treasurer or an Assistant Treasurer.

Section 6. The Fiscal Year. The fiscal year of the Foundation shall be January 1 to December 31 of each calendar year but may be altered by resolution of the Board.

ARTICLE VIII.
EXECUTION OF CONTRACTS, DEEDS, AND TRANSFERS AND REPRESENTATION WITH REFERENCE TO SECURITIES

Section 1. Execution of Contracts and Deeds. Except as otherwise provided by resolution of the Board authorizing the execution thereof, all contracts, deeds, mortgages, pledges, transfers, and other written instruments binding upon the Foundation shall be executed on behalf of the Foundation by the Chairman of the Board and the corporate seal shall be affixed and attested by the Secretary.

Section 2. Voting Securities Owned by the Foundation. Unless otherwise ordered by resolution of the Board, the Chairman of the Board and Secretary or Treasurer shall have full authority on behalf of the Foundation to attend, to act, and to vote at any meetings of the stockholders, bondholders, or other security holders of any corporation, trust, or association in which the Foundation may hold securities. At any such meeting the Chairman of the Board and Secretary or Treasurer shall possess all of the rights and powers incident to the ownership of such securities, which as owner thereof the Foundation might have possessed if present, including the authority to delegate such authority to a proxy. The Board may, by resolution, confer like authority upon any other person or persons.

Section 3. Sale of Securities. Unless otherwise ordered by resolution of the Board, the Chairman of the Board and Secretary or Treasurer are authorized and empowered jointly to buy and sell stock held or owned by the Foundation, for such consideration as should meet their approval, and to that end they are further authorized to execute all bills of sale, transfers, assignments, and other writings necessary or convenient for effectuating such purposes. The Chairman of the Board and Secretary or Treasurer are further authorized to give or have given the proper notices of any such action, have all such dispositions registered and noted on the books and records of this or any other corporation or partnership where required, and to do all other things necessary or convenient to accomplish such purchases or sale.

ARTICLE IX. – EXCULPATION OF DIRECTORS

No director shall be liable to anyone for any acts on behalf of the Foundation or any omissions with respect to the Foundation committed by such director except for his or her own willful neglect or default, nor shall any director be liable to anyone for any act or neglect or default on the part of any one or more of the other directors of the Foundation in the absence of specific knowledge on the part of such director of such neglect or default.

ARTICLE X. – EFFECTIVE DATE

These Bylaws shall become effective upon their approval by the Board.

ARTICLE XI. – AMENDMENTS

These Bylaws may be amended or repealed and new Bylaws may be adopted by a majority of the directors present at any regular or special meeting at which there is a quorum if at least three (3) days written notice is given of the intention to amend or repeal the Bylaws or to adopt new Bylaws at such meeting.

No amendment may be made to avoid limitations imposed by the Articles of Incorporation.

4

Choose Directors

The incorporating directors can be institutional officials who later will become members of the board as specified in the bylaws.

How many directors should be on the board and what should their qualifications include? As fund raising is the most important purpose of the foundation, the first consideration for selection of a board member should be his/her ability to give. Although this is not the only qualification, it is important and should be applied as a consideration for the majority of the directors. Other factors to be considered include the following: banking and investment experience, legal background, corporate executive leadership, political balance, and minority representation. Geographically, directors should be representative of the constituencies but with a majority located geographically close to the institution. (Constituency representation should include a mix of alumni and non-alumni who provide the greatest gift potential for the institution.) These constituencies may include any or all of the following: alumni association, athletic boosters, business and industry, other private foundations, other organized bodies related to advancement of the institution, board of trustees, institutional officers, and previous "major" donors.

It is important to strike a balance of inside and outside representation so that the true mission and goals of the institution will be uppermost in the decision-making process of the foundation. At the same time, as noted earlier, a majority of directors must be outsiders.

The structure should be such that the institution president (or chancellor) will be considered a major officer along with one outside director. This can be accomplished in several different ways. One, an executive committee can be appointed with the institution's president serving as the chair. This committee may be empowered with the responsibility to conduct the day-to-day business of the foundation. Another approach is that the president also serve as president of the foundation. However, the disadvantage with this approach is that some skeptics can infer that the board serves totally at the pleasure of the institution's chief executive officer and does not truly represent the voice of the private donors.

A third organization of the board, and one that has proven most effective, is the structure outlined in the sample bylaws presented in the preceding section. In this structure, the president is one of six ex-officio board members with full voting rights and serves as chairman of the foundation. The president of the foundation is an outside director elected to the office for a set term. The major responsibility for guiding the foundation is shared between the two offices. For example, both serve as ex-officio members of the board's executive committee and conjointly appoint members of the administrative and fund-raising committees.

The foundation vice president is elected from outside directors, the secretary is the chief advancement or development officer, and the treasurer is the chief fiscal affairs officer of the institution.

In examining the sample bylaws, which preceded this section, it should be noted that through the appointment of various committees, all directors are active in foundation programs. Because the foundation is an extension of the institution, its staff primarily will be the development staff of the institution. In some circumstances state law is such that the entire development function must be funded from non-appropriated dollars. Where this is the case, the staff should be paid from foundation funds but still should report to institution officials. The sample foundation organization previously described is organized in a manner that allows the chief advancement officer also to be the executive secretary of the foundation, a situation which is quite common.

5

Find Start-up Money

After the formation steps have been completed, an institution may still face one big problem if it has not raised any previous unrestricted private support: How do you get start-up funds?

Several avenues are open for operating funds. If the alumni association is raising funds, its board may be approached and asked to consider coming formally under the "umbrella" of the foundation. Its funds would be entrusted to the foundation but used only for the purpose directed by the alumni board. Such an action should include appropriating some start-up dollars for alumni unrestricted support.

The foundation board may be organized into an effective personal solicitation campaign for unrestricted gifts from identified potential major prospects. Also, officials may research and solicit one or more private foundations to make gifts for the "seed" dollars to operate the foundation and encourage other private support.

Many institutions or their executive officers often express concern that all gifts might be restricted and it may not be possible to have enough money for personnel and operating expenses. It has been the author's experience that good fund-raising efforts and techniques will eliminate this concern. Restricted gift donors can be cultivated into making increased gifts and future unrestricted gifts. However, they will be discouraged and unsupportative if their interests and restrictions on gifts are not accepted.

Also, it is possible for the foundation to have some use of the investment income off restricted gifts or to have a percentage "surcharge" affixed to every restricted gift to assist with the costs of fund raising and honoring donors.

The sample Guidelines for Establishing College, School, Unit, or Department Foundation Funds follow the premise that unrestricted gift funds combined with interest income generated from "general" funds will be sufficient to meet operating costs. It is possible to take a percentage of all interest income "off the top" for operating expenses. Some foundations assess as much as 15 percent for overhead costs.

For this practice to succeed, an experienced professional should be hired as the chief development officer. In the long run, the dividends will be greatest if the institution is committed to the cost and principle of hiring an experienced fund-raising professional as its chief development officer.

6

Establish Accounts

Following the ideas presented in this handbook, one can categorize all private gifts into one of the types of foundation accounts that will prove most beneficial to the institution, foundation, and donors.

General accounts should be established as a restricted source of demand dollars available upon short notice. Examples of such funds would be school, unit, or departmental discretionary funds. These funds can be expended upon a documented request of the persons responsible for the unit to which the funds are restricted and within the general guidelines of the foundation. Although the foundation has the ability to invest many of these funds, a certain amount of cash must be maintained in a demand account (checking) from which payment can be made upon request. As a result of this necessity, a general fund account should not accrue interest posted to that specific fund.

Term accounts are not a necessity; however, they are an effective means of discouraging expenditure of restricted gifts as soon as they are received. Such accounts should have minimum balance and are eligible to accrue interest at a rate fixed annually by the foundation board. This rate should not be higher than normal passbook savings rates, since that is the way some of the funds will have to be invested because they are demand funds.

Endowment funds have some very specific limitations and should participate in interest earnings related to the total investment earnings of the foundation. Because of the corpus restrictions on these funds, the interest earnings should be higher than on term accounts. It is recommended that such funds be established only with a major corpus of $5,000 or more which should never be used for expenditures, although the corpus can be increased by additional gifts. Accrued interest should be computed on the minimum quarterly, semi-annual, or annual balance in the account.

Trust funds are those accounts established by a legal document usually drafted by the donor and for which the donor or legal agreement has prescribed separate investment of such funds not permitting a commingling with other investments.

Although the names or terms used to describe the types of funds or accounts discussed above may vary, the four categories should prove sufficient for accepting and administering any and all private gifts. The following sets of guidelines will provide background for establishing and administering such funds.

Sample Guidelines for Establishing Foundation Funds

The following guidelines should be adhered to in establishing, continuing, and utilizing a fund within the State University Foundation for the benefit of a college, school, unit, or department within the University.

Purpose

It is proposed that a special fund be established for a college, school, unit, department, or program within the framework of the State University Foundation, which may supply supplementary funds for existing programs or new and different needs not included in the regular University budget or for those things for which state dollars cannot be used.

More specifically, disbursements from foundation funds may be used for the following:

1. *Student Aid*

   A. Scholarships;

   B. Provide financial assistance to students for special student efforts and programs when University funds are not available;

   C. Loans.

2. *Research*

Research grants for a particular college, school, unit, department, or program when funds are available from gifts designated for this purpose.

3. *General*

   A. Provide funds for costs associated with professional seminars;

   B. Provide funds for supplementary educational materials;

   C. Provide funds for special equipment and publications;

   D. Provide funds for special programs and materials, and

   E. Provide funds for advancement of the State University.

Note

All equipment purchased with Foundation funds is the property of the State University and must be inventoried. Therefore, it is necessary that a purchase requisition be completed and a purchase order number assigned.

Self Interest

All gifts must be within the IRS regulations governing charitable contributions and cannot be restricted by the donor for his/her direct benefit.

Sources of Funds

The moneys contributed to these funds would come from private philanthropic dollars. This would include alumni, friends of the university, private foundations, and corporate giving.

Control

Funds acquired for a particular college, school, unit, department, or program will be kept and managed by the State University Foundation. Authorization for a disbursement would be made by

the appropriate administrator of the program, department, school, unit, or college using a disbursement form supplied by the Development Office. Two copies of the form should be forwarded to the Special Funds Office for drafting a check. This office will send one copy to the Foundation accountant for bookkeeping, accounting, and documentation.

Interest Income and Fund Categories

Foundation funds would be categorized as "General," "Term," "Endowment," and "Trust."

1. *General Funds*

General funds are those funds that are to be used to pay incidental expenses of a school, unit, department, or program and would be withdrawn on short notice with the proper trust fund withdrawal forms submitted to the Special Funds Office. These accounts do not accrue interest income.

2. *Term Funds*

Term funds are specifically designated restricted funds that are maintained with a minimum balance of $1,000 during a calendar year. These funds will accrue interest on the basis of the minimum balance during the calendar year and at a rate approved annually by the Foundation Board of Directors.

3. *Endowment Funds*

Endowment funds are specifically designated funds in which the corpus of the fund is to be perpetual and which accruing interest can only be expended for the restricted purpose of the fund. Such funds must have a minimum balance of $5,000 and interest will be figured semi-annually based on the fund's minimum balance during the period of January 1 to June 30 and July 1 to December 31 and as determined by the Board of Directors.

4. *Trust Funds*

Trust funds are those funds specifically given to the Foundation as a trust and which are bound by legal agreement(s) of the trust.

All funds will be comingled for investment purposes unless specifically established and prescribed by law to be maintained as a separate trust or specifically designated by the Foundation Board of Directors as a separate trust.

STATE UNIVERSITY FOUNDATION, INC.
TRUST FUND WITHDRAWAL REQUEST

Submit Two Copies of This Form Anytime a Trust Fund Withdrawal Is Requested.

FUND CODE NUMBER
ACCOUNT CODE: _____

FUND NAME: _____

AMOUNT OF WITHDRAWAL: _____

PURPOSE OF WITHDRAWAL: _____

(Attach receipts or documentation of expenses) _____

_____

CHECK PAYABLE TO: _____

ADDRESS: _____

_____

If CHECK TO BE SENT TO PERSON OTHER THAN PAYEE, GIVE NAME AND ADDRESS: _____

_____

_____

DELIVER THIS FORM TO EITHER SPECIAL FUNDS OFFICE or DEVELOPMENT OFFICE

PERSON AUTHORIZING WITHDRAWAL: _____
(Print or type)

_____ _____
(Date) (Signature)

OFFICER APPROVAL: _____
(Signature)

CHECK NUMBER _____ DATE _____

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Disburse Funds

Before any foundation funds are disbursed, policies and procedures must be developed to govern the disbursements. Established policies and procedures serve the following important purposes: to provide proper documentation and review of disbursements from foundation funds, to disburse funds in accordance with donor intent, to maintain unquestioned the tax exempt status of the foundation, to prohibit the use of funds for the direct personal benefit of faculty and/or staff, to obtain goods and services efficiently and at the lowest cost consistent with quality and quality desired, and to account properly for all capital equipment purchased. Sample guidelines for disbursing foundation funds follow.

Sample Disbursement Guidelines

General Expenditure Categories

Foundation guidelines for determining allowable uses of funds include general expenditure categories listed as follows:

1. **Salary and wage payments.** Direct payment to faculty, staff, students and/or other full- or part-time employees of the State University is unallowable. If support of the State University payroll charges or other compensation to University employees is approved from Foundation funds, payment to the employees will be processed through the State University Payroll Office and funds will be transferred from the Foundation to the University.

2. **Honorarium and consulting fees.** Payment of an honorarium or consulting fee is allowable provided the individual receiving payment is not an employee of the State University.

3. **Guest expenses.** Reimbursement of expenses incurred for entertainment of guest lecturers and/or other guests of the State University is allowable. Usually reimbursement is limited to expenses incurred for travel, food, and lodging of guests and the associated expenses for a reasonable number of State University staff accompanying the guests. Unusual circumstances should be cleared with the Development Office before the expenditure is incurred.

4. **Coffee hours, receptions, etc.** Reimbursement of expenses incurred for coffee hours, teas, and/or receptions may be reimbursed from Foundation funds provided the functions are in conjunction with State University related activities.

5. **Association dues and publication costs.** Departmental and/or institution association dues and publications costs may be paid from Foundation funds. Payment of association dues and/or publication costs for the direct personal benefit of individual faculty or staff members is not allowable.

6. **Faculty and staff travel:**

   A. Use of Foundation funds for travel expenses must be approved by the department and Development Office in advance of proposed travel dates.

   B. Only in extraordinary situations should travel expenses directly related to faculty and staff departmental, office, and/or institutional assignments be paid from Foundation funds.

   C. In these situations, faculty and staff members must file an "Authorization for Travel," signed by the department head, dean and/or vice president and must be approved by the president's office. The Foundation should be indicated as the source of funds for payment of the travel expenses.

7. **Magazine subscriptions.** Magazine and other subscriptions to be paid from Foundation funds should be directly related to departmental teaching, research, and/or public service activities. Subscriptions must be mailed to a State University department, office, or the library.

8. **Supplies, expenses, and capital equipment.**

   A. Supplies, expenses, and capital equipment generally used for teaching, research, and/or public service activities may be purchased from Foundation funds.

   B. Title to capital equipment purchased from Foundation funds is automatically transferred to the State University unless specifically indicated otherwise by the Foundation.

   C. Department head may recommend a specific vendor, manufacturer, etc., if specific supplies and/or equipment are required to maintain consistency with existing equipment or to meet teaching or research specifications.

9. **Other.** Proposed uses of Foundation funds that are not directly related to the above categories or uses relating to unusual circumstances should be cleared with the Development Office before incurring the expenses.

Control of Equipment

Listed below are university guidelines for control of equipment purchased from Foundation funds.

1. **Assignments of Equipment.** Equipment purchased from Foundation funds will be assigned to the requesting department until such time as the equipment becomes excess to department needs, obsolete, or considered of limited value beyond reasonable repair.

2. **Recording and Labeling of Equipment.** All equipment purchased from Foundation funds will be recorded and labeled as a part of the University inventory system. The inventory numbering system will separately identify equipment purchased from Foundation funds.

3. **Approval of Equipment.** The University and/or the Foundation may elect *not* to approve an equipment request for one or more of the following reasons:

A. High level of projected operating and/or maintenance costs;

B. Space needs requiring major alterations to existing structure;

C. Major installation costs, or

D. Duplication of existing equipment which is available for general use by University faculty and staff.

Contributed Equipment

Equipment contributed to the Foundation for University use should be handled in the following way.

- Department head having knowledge of possible equipment contributions should check with the Development Office for procedures to be followed.

- Upon completion of a review by the Foundation and notification of the circumstances to university officials, title to equipment accepted by contribution normally will be transferred to the University. Such equipment will be recorded as University inventory.

Procedures for Withdrawal of Funds

Listed below are proposed procedures for requesting withdrawal of Foundation funds.

1. **Processing of Requests.** Requests for withdrawal of funds, except for those requests relating to purchase of capital equipment and specific supply items, will be processed as follows:

A. Requests will include disbursements for honorariums, consulting fees, association dues, publication costs, specifically approved faculty travel (see General Expenditure category) subscriptions for magazines and publications, reimbursement of expenses for entertainment of University guests, reimbursement of a faculty member or payment to a vendor for miscellaneous supply items procured directly from a vendor, and other miscellaneous expenses.

B. Requests for withdrawal of Foundation funds are to be prepared by the department or administrative office requesting payment and submitted to the Foundation for payment. Vendor invoices, expense receipts, and/or other supporting documentation should be attached to the withdrawal form.

C. Requests will be approved provided funds are available and the requests comply with guidelines established by the Foundation.

D. Requests for reimbursement of travel expenses must be supported by one copy of the approved "Authorization for Travel" and by one copy of the required expense documentation.

E. Foundation checks will be distributed as indicated on the request form.

2. **Requests to Purchase Equipment.** Requests to purchase capital equipment and specific supply items (supplies to be ordered from vendors requesting University purchase order) will be processed as follows:

A. Capital equipment and specific supply items are to be requested by preparing a University requisition and a Foundation Fund Withdrawal Form. The title of the Foundation fund to be charged must be shown on the requisition. Justification for a specific vendor and/or manufacturer of equipment or supplies must accompany the requisition.

B. Requisitions for capital equipment are to be approved by the department head and dean of the school.

C. The requisition and the withdrawal form are to be submitted to the Development Office for approval by the director of development or his authorized representative. Approval by the Development Office indicates that sufficient funds are available for the requested purchase. If funds are limited to a specific dollar maximum, the requisition will so indicate.

D. Requisitions will be forwarded by the Development Office to the Accounting Office for review and coding, and, in turn, forwarded to the Purchasing Department for processing.

E. Consideration will be given to departments' preference of vendor, manufacturer, etc. However, determination of the vendor will be the responsibility of the Purchasing Department. It is expected that the majority of Foundation requisitions will be in line with established University purchasing policies and procedures. In a few instances, purchases will be for items generally not purchased from University funds. In such instances, purchase requests will be processed the same as all other requests in order to purchase such items at the lowest price consistent with quantity and quality desired.

F. Upon receipt of the merchandise requested, receiving copies of the purchase order will be signed by the department head and forwarded to the Purchasing Department for processing.

G. Payment to the vendor will be made by the Accounting Office and disbursement will be charged to the appropriate Foundation account.

H. One copy of each equipment order will be sent to the University Inventory Control Office following payment to the vendor in order to record and label the equipment as a part of the University inventory system.

Some Final Advice

The information contained in this handbook is intended to present the "whys" and "hows" of establishing a private foundation for state institution fund-raising purposes. More specifically, the information was prepared to acquaint AASCU members with the potential of private foundations, if one is not already in existence at their university. The diversity of the AASCU membership and the introductory character of the material of necessity make the handbook general in nature. In the formation of a foundation, questions will arise that this handbook does not address. Thus, the assistance of an institutional development professional is most important. The ideas presented here have been successful and can be modified to meet an individual institution's philosophy, goals, and objectives. However, every institution is unique and other alternatives might be viable in the fomation of an organization to best accomplish fund-raising needs and objectives. If the decision to establish a foundation is made, the following final notes are important to keep in mind.

- Make it as easy as possible for someone to make a gift to your institution.
- Allow at least a year to get a foundation organized.
- Remember that it may take two to four years before involvement in the organization has reached a point to parallel the program described here.
- Be assured that with good professional staff leadership, the institution will reap rewards.

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Dr. S. Richardson Hill, Jr., President
The University of Alabama in Birmingham, Birmingham, AL

Dr. Thomas B. Brewer, Chancellor
East Carolina University, Greenville, NC

Ralph D. Wolfe, Vice President
Marts & Lundy, Inc., Lyndhurst, NJ

Bruce Freeman, Vice President
Marts & Lundy, Inc., Lyndhurst, NJ

About the Author

Donald L. Lemish, vice chancellor for institutional advancement and planning at East Carolina University (ECU), has had over twelve years experience in higher education administration, advancement, and fund raising. Before his appointment at ECU, he was assistant vice president and director of development at the University of Alabama in Birmingham. From 1968 through 1976 at Ball State University (BSU), he served as executive vice president of the BSU Foundation, director of development, and associate director of alumni and development programs, among other positions. He has been associated with alumni and development programs that have won six U.S. Steel Alumni Giving Incentive Awards, presented by the Council for Advancement and Support of Education; he has written articles on fund raising published in *Fund Raising Management* and *Fund Raising Institute;* and he has served on faculties of numerous national fund-raising institutes and workshops.